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QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)

Eighteenth Annual Report

For the Year Ended December 31, 1969

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)

Head Office:
1155 Dorchester Blvd. W.,
Montreal, Quebec.

Executive Office:
67 Yonge Street,
Toronto, Ontario.

CAPITAL

Authorized: 3,500,000 shares $1.00 Par Value

OFFICERS

Robert D. Hoffman	*President*
Fred W. Thompson	*Vice-President*
D. J. Hoffman	*Vice-President*
B. A. Orr	*Vice-President*
B. A. Orr	*Secretary-Treasurer*

DIRECTORS

Robert D. Hoffman	New York
Fred W. Thompson	Toronto
B. A. Orr	Toronto
L. B. Norrie	New York
D. J. Hoffman	New York

TRANSFER AGENTS AND REGISTRARS

The Premier Trust Company
19 Richmond St. West, Toronto, Ontario

Guardian Trust Company
618 St. James Street, Montreal, Quebec

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)

Directors' Report to Shareholders

Montreal, Quebec,
March 10th, 1970.

TO THE SHAREHOLDERS:

Your Directors herewith submit a report of operations and the Financial Statements of the Company for the fiscal year ended December 31, 1969, together with the Auditors' Report to Shareholders.

IRON PROPERTIES, MT. WRIGHT, QUEBEC

During the past year the Company continued its re-examination of the records of the Company with regard to the exploration conducted by Jones & Laughlin Steel Corporation under the terms of the Lease which was terminated on October 1st, 1968. An Engineer and Mining Geologist were engaged in this work continuously throughout the year assisted by your President and outside Geologists.

This geological and engineering work justified the feasibility of our conclusions of last year that more diamond drilling work should be carried out at the west end of the property with the hope that additional tonnages of higher grade, easy milling ore would be revealed. There is knowledgeable outside opinion that there is ample room for very large tonnages of new ore in this west section, ore of a grade well above that reported by the Jones & Laughlin engineers at the east end of the property.

Some diamond drilling will eventually have to be done on the east end of the property to determine whether A and C zones are continuous in depth below the surface and the characteristics of the geologically favorable axial zone already probed on its fringes by Jones & Laughlin. However, our chances for large tonnages of

easy milling ore, which might be of immediate interest to very large consumers of iron ores now appear to lie at the west end of the property toward Carrot Lake.

While there may be other richer and perhaps larger deposits of iron in other parts of the world, the chief value of our Quebec iron deposits is their ready availability to markets and the political and financial stability of Canada, particularly in Quebec Province.

OTHER PROPERTIES

Ontario

In the Sudbury Mining District of Ontario our Company is still interested in a deep drilling venture with Frood Deep Nickel Mines Limited.

The claims in the Porcupine Mining Division optioned to New Calumet Mines Limited were dropped by the Company when New Calumet Mines Limited surrendered its option.

Work on the Kapkichi Nickel Mines Limited option to Union Miniere Explorations & Mining Corporation continues and the option remains in good standing.

GENERAL

We regret that no property of promise was acquired during the past year in our various activities in Canada, the United States and Mexico.

Exploration will be confined in the coming year mostly to our Quebec iron properties.

By Order of the Board,

ROBERT D. HOFFMAN,
President.

QUEBEC COBALT AN

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Consolidated Balance

(with comparative

ASSETS

	1969	1968
CURRENT ASSETS		
Cash and term bank deposits	$ 137,672	$ 126,364
Accounts receivable	1,013	27,253
Income taxes recoverable	3,600	
Due from associated companies	2,200	16,000
	144,485	169,617
SECURITIES		
Quoted shares and trust units at cost (quoted market value, 1969 — $690,719; 1968 — $1,062,062)	511,012	503,134
Other securities at cost less amounts written off	211,719	211,719
	722,731	714,853
MINING CLAIMS		
Interest in mining claims in the Mount Wright Area, Quebec, held under development licences, acquired for 1,000,000 shares of the company's capital stock issued at 3¢ per share and $1,001 cash	31,001	31,001
Interest in mining claims in Mann Township, Ontario, at cost	950	950
Interest in mining claims in Rouyn Township, Quebec, at cost	250	250
	32,201	32,201
OTHER ASSETS AND DEFERRED CHARGES		
Special refundable tax	3,920	3,920
Organization expenses		2,580
	3,920	6,500
	$ 903,337	$ 923,171

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To the Shareholders of
Quebec Cobalt and Exploration Limited
(No Personal Liability)

We have examined the consolidated balance sheet of Quebec Cobalt a 1969 and the consolidated statements of income, retained earnings and sourc explanations we have required. Our examination included a general review evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the ex statements are properly drawn up so as to exhibit a true and correct view of th operations and the source and application of their funds for the year then end with that of the preceding year.

Toronto, Canada
February 23, 1970

XPLORATION LIMITED

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laws of Quebec
company

– December 31, 1969
December 31, 1968)

LIABILITIES

	1969	1968
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 9,228	$ 16,537
Income taxes payable		2,362
	9,228	18,899
OTHER LIABILITIES		
Accrued pension liability (note 2)	97,000	77,600

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized — 3,500,000 shares of $1 each		
Issued — 3,500,000 shares	3,500,000	3,500,000
Less discount on shares	2,916,496	2,916,496
	583,504	583,504
RETAINED EARNINGS	213,605	243,168
	797,109	826,672

Approved by the Board:

D. J. HOFFMAN, Director.

L. B. NORRIE, Director.

	$ 903,337	$ 923,171

REPORT

ation Limited (No Personal Liability) and its subsidiary company as at December 31, lication of funds for the year then ended and have obtained all the information and counting procedures and such tests of accounting records and other supporting

given to us and as shown by the books of the companies, these consolidated financial the affairs of the companies as at December 31, 1969 and the results of their ordance with generally accepted accounting principles applied on a basis consistent

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)
and its subsidiary company

Consolidated Statement of Income

Year ended December 31, 1969
(with comparative figures for 1968)

	1969	1968
REVENUE		
Royalties from lease of mining claims (note 4)	$ 27,000	$ 108,000
Dividends and other royalties received	34,193	27,948
Interest earned	11,435	7,190
Loss on oil well operations	(6,480)	(4,435)
	66,148	138,703
EXPENSES		
Exploration		
Geologist's salary and expenses	10,523	10,210
Prospector's salary	12,000	12,000
Travelling and other prospecting expenses	27,712	16,616
	50,235	38,826
ADMINISTRATIVE AND GENERAL		
Office services	19,834	24,550
Shareholders' reports and meetings	2,684	1,406
Directors' fees	524	586
Directors' expense	610	2,194
Share transfer expenses	1,310	3,507
Legal and audit expense	2,035	2,450
Executive salaries	22,200	22,500
Provision for pension costs	19,400	19,400
Interest on loan payable to shareholder		(1,350)
Organization expenses written off	2,580	
Other administrative and general expenses	1,196	541
	72,373	75,784
	122,608	114,610
Income (loss) before income taxes and extraordinary items	(56,460)	24,093
Income taxes (note 5)	1,106	5,800
Income (loss) for the year before extraordinary items	(57,566)	18,293
EXTRAORDINARY ITEMS		
Profit on securities sold	21,003	
Recovery of 1966 income taxes due to 1967 loss	7,000	
Net income (loss) for the year	$ (29,563)	$ 18,293

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)
and its subsidiary company

Consolidated Statement of Retained Earnings

Year ended December 31, 1969
(with comparative figures for 1968)

	1969	1968
Balance at beginning of year	$ 243,168	$ 226,658
Net income (loss) for the year	(29,563)	18,293
	213,605	244,951
Excess of cost of shares in subsidiary company over book value of underlying assets		1,783
Balance at end of year	$ 213,605	$ 243,168

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1969
(with comparative figures for 1968)

	1969	1968
SOURCE OF FUNDS		
Net income for the year		$ 18,293
Add provision for pension costs not requiring current outlay		19,400
		37,693
Sale of securities (less $21,003 profit included in net income)	$ 29,298	
	29,298	37,693
APPLICATION OF FUNDS		
Loss for the year	29,563	
Deduct items not requiring current outlay		
Provision for pension costs	19,400	
Organization expenses written off	2,580	
	21,980	
	7,583	
Purchases of securities	37,176	44,979
Excess cost of shares in subsidiary company over book value of underlying assets		1,783
	44,759	46,762
Decrease in working capital	15,461	9,069
Working capital at beginning of year	150,718	159,787
Working capital at end of year	$ 135,257	$ 150,718

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)
and its subsidiary company

Notes to Consolidated Financial Statements

December 31, 1969

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of a wholly owned subsidiary company which holds U.S. oil interests.

2. PENSION COSTS

The company has agreed to pay pensions to certain employees upon their retirement. The pension cost related to past services of employees and not provided for at December 31, 1969 is estimated to amount to approximately $12,000. This cost is being charged to income over the estimated terms of service of the employees.

3. COMMITMENT TO ADVANCE FUNDS

The company has agreed to advance to Frood Deep Nickel Mines Limited, on request, up to $150,000 on or before March 31, 1970. Such advances are to be repayable on March 31, 1971 with interest at the rate of 6% per annum. At any time on or before March 31, 1971 either Quebec Cobalt or Frood Deep may require payment of the loan by the issue of shares of Frood Deep at 60¢ per share.

4. ROYALTIES FROM LEASE OF MINING CLAIMS

The lease on the company's mining claims in the Mount Wright Area of Quebec has been terminated by the lessee. Royalties terminate with the royalty payment received for the first quarter of 1969.

5. INCOME TAXES

The 1969 provision of $1,106 includes U.S. withholding tax of $3,306 and a recovery of prior year's Canadian income taxes of $2,200 due to the application of a portion of the current year's loss. The provision for 1968 is made up of U.S. withholding tax of $3,438 and Canadian income taxes of $2,362.